BANK DEPARTMENT SERIES—I.

# The Paying Teller's Department

By GLENN G. MUNN

The Bankers Publishing Co., New York

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# THE PAYING TELLER'S DEPARTMENT

## PREFACE

NOT every bank requires in its organization the more recently added departments, such as New Business, Credit, Trust, Investment, Safe Deposit, Foreign Exchange, etc., but no bank can dispense with the paying teller and his related functions. The duties of the paying teller entail responsibility of a high order and his acts are surrounded by a variety of business customs, laws and legal decisions, the observance of which act as a safeguard against loss. The non-observance of these practices and customs are almost certain to result in losses to the bank.

The functions of the paying teller are sufficiently important, complicated and dignified, and carry sufficient responsibility to be deserving of a comprehensive

and authoritative treatment. Although some attention has been given to the paying teller's department by several books dealing with practical banking subjects, never before has a volume exclusively devoted to the paying teller's department, appeared. The books referred to have not attempted to place at the disposal of the paying teller, certification, check, money and shipping clerks a complete compendium of the information over which they should have absolute mastery.

The purpose of this volume is to present in a practical manner the functions of the paying teller and related departments in every phase—whether they occur in a city or country bank, or in the East or West. It is intended as a reference book to which the officers, paying tellers and other clerks may turn for guidance in answering questions which constantly arise with regard to cashing

checks, certifications, reserve requirements, supply and disposition of money, tests for counterfeit money and raised bills, shipping currency, etc.

This volume is an outgrowth of actual contact and experience, both with the operations of the paying teller and related departments, and in presenting this material and problems involved, to classes in banking. Acknowledgment is made to Mr. Russell N. Thatcher, Paying Teller of the Chase National Bank, New York City, for his assistance in the preparation and reading of the manuscript.

GLENN G. MUNN.

New York, January 10, 1922.

## THE PAYING TELLER'S DEPARTMENT

THE present age is often styled the age of credit because the use of credit instruments has to a large extent supplanted the use of money in settling business transactions. It is estimated that about 60 per cent. of the transactions in the retail trade, and about 95 per cent. of the transactions in the wholesale trade, and in the aggregate about 90 per cent. of all transactions, are settled by means of credit instruments—checks, trade acceptances, drafts and notes—so that money is needed to settle approximately only 10 per cent. of the total. The extent of use of credit instruments depends upon banking facilities offered to a community, its business habits (money settlements are more common in the rural

than in the urban districts), and its general intelligence.

*The Relative Use of Money and Credit*

To illustrate the extent of use of credit instruments in the settling of transactions, the volume of bank clearings may be compared with their total cash holdings. The situation in New York is taken as indicative of the situation for the entire country. Records show that for the week ending April 29, 1921, approximately $3,500,000,000 were cleared through the New York Clearing House Association, and that these same banks—71 in number—held on an average during the same week approximately $100,000,000 in cash. In other words, the cash held by the banks members of the Clearing House Association was only one-thirty-fifth of the dollar amount of transactions settled through the Clearing House. It is probable, moreover, that

only a small part of the cash was "turned over".

These figures demonstrate the magnitude of the use of credit instruments as a substitute for money settlements. But despite the tendency in the direction of settlements by means of checks, money cannot be entirely dispensed with. Money is still an important medium of exchange. We have not yet approached that stage of refinement which enables us to entirely abolish cash payments.

It is noteworthy, however, that the tendency to expansion in the use of credit instruments has been reflected in the relatively larger growth of the mail, clearing house, transit and collection departments of a bank when compared to the paying teller's department.

### *Qualifications of a Good Paying Teller*

Foremost among the qualifications of a good paying teller is that of high moral

character. On account of the current nature of the funds with which he deals, and the prohibitive cost of indemnifying the bank against possible defalcations of the funds he controls, a person must be selected who is absolutely trustworthy. Convincing moral integrity is at all times paramount.

Perhaps next in importance is the trait of self-possession and composure. Numerous risks are involved in paying out money against checks, and there are no less than seven or eight features of a check which must be scrutinized before the paying teller can satisfy himself that its payment will involve no loss. In view of the fact that the paying teller must often work under severe pressure with a long line standing in front of his window, ability to pay out cash without becoming flustered or losing poise and equilibrium, and without making ruinous errors is a

quality which can be developed only by patience and training.

Perhaps no teller is in a position to advertise the bank's service qualities as well as the paying teller. He probably meets more of the bank's customers than any other person, and for this reason he occupies a strategic position. He should have a memory for faces, be able to call the bank's customers by name, and maintain a friendly and courteous attitude even though he may be working under pressure or other trying circumstances. The nature of his work is such, moreover, that he must combine the contradictory attributes of accuracy and speed.

A paying teller must be competently trained. Usually he has been upgraded from less responsible positions and has graduated from the money, bookkeepers' and receiving teller's departments. He should know in a general way the status of the various customers' accounts and

be acquainted with the signatures of the principals of such accounts. Since the signature on a check is in the last analysis the one distinctive feature, without which it is worthless, he must be something of a handwriting expert, competent at least to judge between genuine and forged signatures. His ability to detect counterfeits and raised bills is also a necessary pre-requisite. This knowledge will probably have been gained by previous service as a money counter.

### *The Paying Teller's Duties*

The paying teller, also known as the first teller, is usually exclusive custodian of that part of the money stock of a bank necessary for current counter use. This stock of money is ordinarily called till money. In banks, members of the Federal Reserve System, the paying teller is not directly concerned with the maintenance of the legal cash reserve, but

among state banks where the legal reserve is maintained in the bank's own vault (or with a depositary), he is responsible for seeing that the legal requirements are fulfilled.

Aside from the paying teller's responsibility in maintaining the proper legal cash reserve where that is necessary, he is always custodian of the money stock intrusted to him. He provides a sufficient supply of various denominations and kinds of money to meet the demands of ordinary business, and has control of certain compartments of the vault. In addition to custodianship of the bank's till money, the paying teller is intrusted with certain disbursing functions—principally the cashing of checks. This carries with it numerous auxiliary duties, such as making cash disbursements for payroll purposes, petty and other expenses; shipping currency upon the order of correspondent banks; receiving cur-

rency shipments inward; depositing excess supplies of currency with the Federal Reserve Bank or other depositary; certifying checks; selling gold bars, and executing stop-payment orders. The duties which usually fall to the paying teller may best be shown in outline form, as follows:

1. Custodianship of money.
   a. Receiving
      (1) Shipments inward from correspondent or other banks.
      (2) From other banking departments, such as receiving teller, collections departments, etc.
      (3) From original government sources:
         (a) Federal Reserve Bank of district.
         (b) United States Treasury.
         (c) United States Assay Office.
   b. Counting, examining, and strapping money—the money section.
   c. Storing money—the vault section.
   d. Redeeming worn and mutilated money at original sources—currency shipping section.

2. Paying out money—cashing checks, matured coupons, etc., upon proper identification.
3. Disbursements for petty expenses—the petty cashier section.
4. Disbursing payroll cash—paymaster section.
5. Shipping money—currency shipping section.
6. Depositing excess money with Federal Reserve Bank, or other depositary or depositaries.
7. Certifying checks—certification section.
8. Settling clearing house balances.
9. Verifying signatures of principals of accounts—signature section.
10. Verifying stop payments—stop payment section.

The paying and receiving tellers are closely related inasmuch as in the long run deposits of cash over the receiving teller's window and through currency shipments inward, approximate in aggregate value, the cash paid over the paying teller's window. The bank operates as a reservoir, receiving cash from banks and individuals having an excess,

and paying it out to others in need of funds.

*Organization Chart of Paying Functions*

In order that the paying operations of a bank may be made clear, they are visualized in the organization chart, which follows. This shows the broad classification of functions and their co-ordinate and subordinate relationship.

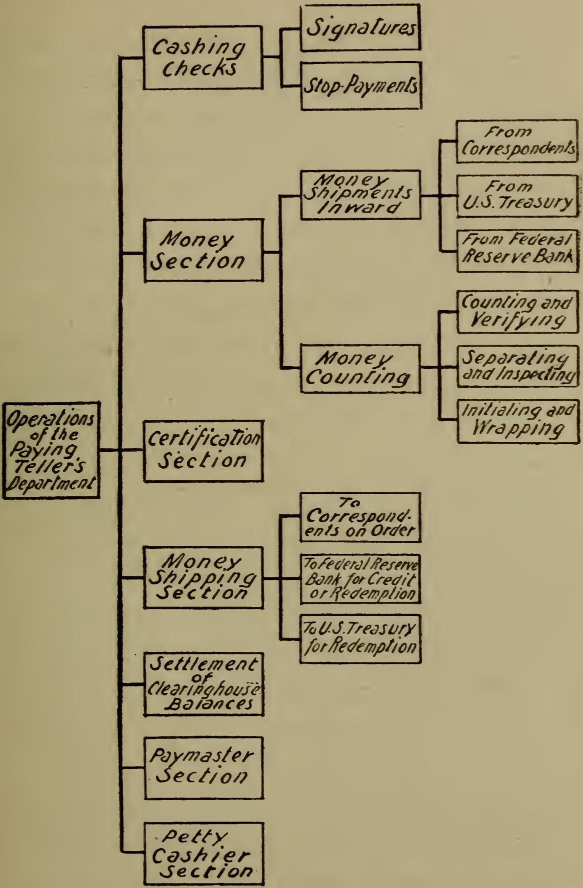


CHART SHOWING ORGANIZATION OF THE PAYING TELLER'S DEPARTMENT

### *Cash Reserves and Cash Requirements*

Member banks of the Federal Reserve System are required by the Federal Reserve Act to keep a reserve against deposits in cash with the Federal Reserve Bank of their district. State banks, not members of the Federal Reserve System, may keep a cash reserve in their own vaults, but have the privilege of depositing a certain part of it for interest-earning purposes with other banks designated as depositaries.

The Federal Reserve Act does not require member banks to maintain a reserve of cash in their own vaults. Any cash kept in a member bank's vault does not count as reserve, and for that reason a member bank keeps only sufficient cash to provide for current counter requirements. Since cash in reserve earns no interest, cash in a member bank's vault is likely to be kept at the lowest figure consistent with safe and conservative

banking policy. Among the larger banks, cash maintained in the vault usually approximates two per cent. of the net demand deposits; for a smaller bank this percentage might be somewhat more.

The cash reserve required by member banks of the Federal Reserve System to be carried against net demand deposits is as follows:

Central Reserve Cities—13 per cent.
(New York, Chicago and St. Louis)

Reserve Cities—10 per cent.
(The following cities were Reserve Cities as designated by the Federal Reserve Board as of the date of this publication: Boston, Albany, Brooklyn and Bronx, Buffalo, Philadelphia, Pittsburgh, Baltimore, Washington, Richmond, Charleston, Atlanta, Jacksonville, Birmingham, New Orleans, Dallas, El Paso, Fort Worth, Galveston, Houston, San Antonio, Waco, Little Rock, Louisville, Chattanooga, Memphis, Nashville, Cincinnati, Cleveland, Columbus, Toledo, Indianapolis, Peoria, Detroit, Grand Rapids, Milwaukee, Minneapolis, St. Paul, Cedar Rapids, DesMoines, Dubuque, Sioux City, Kansas City, Mo., St. Joseph,

Lincoln, Omaha, Kansas City, Kans., Topeka, Wichita, Denver, Pueblo, Muskogee, Oklahoma City, Tulsa, Seattle, Spokane, Tacoma, Portland, Ore., Los Angeles, Oakland, San Francisco, Ogden, Salt Lake City.)

Other Cities—7 per cent.

For time deposits the reserve requirement is three per cent. in each instance.

State banks not members of the Federal Reserve System keep their own cash reserves as explained above. The reserve requirements differ in different states. In New York State the legal cash reserve against net demand deposits varies according to the population of the city in which the bank is located, as follows:

| | Total | Vault | Depositaries |
|---|---|---|---|
| 1. For banks in cities having a population of 2,000,000 or over | 18% | 12% | 6% |
| 2. For banks in cities having a population of 1,000,000 or over, but less than 2,000,000, and not having an office in a larger city | 15% | 10% | 5% |
| 3. For banks in other cities | 12% | 4% | 8% |

Thus, under state banking systems, state banks maintain a cash reserve in their own vaults or in other banks acting as depositaries, approved by the State Banking Department.

Like New York State banks, trust companies organized under the New York law are also required to maintain a cash reserve in their own vaults, as follows:

| | Total | Vault | Deposi-taries |
|---|---|---|---|
| 1. For trust companies in cities having a population of 2,000,000 or over....... | 15% | 10% | 5% |
| 2. For trust companies in cities having a population of over 1,000,000, but less than 2,000,000, and not having an office in a larger city.... | 15% | 10% | 5% |
| 3. For trust companies in the boroughs of Bronx, Queens, Richmond, and in the cities of Buffalo, Syracuse, Rochester, Albany, Yonkers, Troy, Utica and Schenectady ............. | 10% | 4% | 6% |
| 4. In all other cities..... | 10% | 3% | 7% |

Whenever state banks or trust companies are members of the Federal Reserve System, they have the option of electing the reserve requirements prescribed by the Federal Reserve Act or by the State Bank Law, provided the state has enacted an "enabling" law so permitting. State banks or trust companies not members of the Federal Reserve System may keep a part of their vault cash with the Federal Reserve Bank of their district if they so choose, in order to provide balances against which out-of-town collections may be made.

*Paying Tellers' Cages*

Each paying teller should be assigned a cage unit, for the transactions of which he is solely responsible. Since the paying teller is intrusted with and is responsible for the money taken into the cage, entrance should be denied to all others, whether employees or outsiders. When

the paying teller is temporarily absent, the door of the cage should be locked and the cage under the surveillance of another teller, or guarded by a special officer. It is manifestly unfair to hold a teller accountable for money intrusted to him unless he is fortified with satisfactory facilities for safeguarding it.

To provide an adequate system of internal check, paying tellers should never have direct access to customers' ledgers. The paying teller should, of course, know something of the status of customers' accounts. This he can learn by having the ledger clerks supply him with sheets showing the approximate balances of customers' accounts. Although integrity of tellers is always presumed, still a system of internal check as fool-proof as possible, and prearranged to prevent possible defalcations through collusion with dishonest ledger clerks, should be provided. By collusion with an un-

ness handled by each teller, who both receives and pays for accounts, say, from A to C, D to G, H to M, N to T, and U to Z.

There are two distinct advantages of the unit paying-receiving system. One is that it permits of specialization. Certainly one chief requisite of a competent paying teller is thorough acquaintanceship with his customers—positively knowing their identity, the character of their business and accounts, what services they require, their financial status and responsibility, and *other variations of the personal equation.* The unit system enables each teller to become personally acquainted with the customers assigned to him and to call them by name, because the group of customers which he serves is definitely fixed and limited. By this adaptation the teller can give his customers better and prompter service. If it is advisable that each teller know all

scrupulous ledger clerk it is possible for a paying teller, for instance, to hold out amounts of cash received in currency shipments inward continuously by failing to credit the customers' account upon receipt of the shipment.

*The Unit Paying-Receiving System*

In the interests of more effective service to customers, the unit paying-receiving system appears to be growing in popularity, especially among the larger city banks. Under this arrangement a single teller plays a double role—that of paying and receiving teller.

The advantage of the unit system is best demonstrated among banks having many active accounts, whether large or small, the customers' accounts being divided into sections of the alphabet, and each section assigned to a single teller. Customers' accounts can be divided with a view to equalizing the volume of busi-

the customers of the bank, tellers can at intervals be shifted from cage to cage. A second advantage of the unit paying-receiving system is that it enables the customers to make deposits and cash checks at the same time. It thus makes it unnecessary, especially on busy days, for customers to stand in two line formations awaiting their turn.

It might be objected that it is contrary to a good system of internal check to place one person in both receiving and disbursing roles. Provided the unit teller has no access to the customers' ledgers there is perhaps no more opportunity for defalcation or abstraction of funds under this arrangement than any other. It is quite as possible, for instance, for a receiving teller to destroy a deposit slip where a pass book is not presented and temporarily cover up an abstraction of cash as for a teller in the unit system. Perhaps the ideal system is to arrange

paying and receiving cages for the same sections of the alphabet adjacent to one another and to operate the cages by different tellers, thus making it less possible for a unit teller to cover up abstractions from receipts by virtue of his role as money custodian. In one bank the idea of alphabetization of accounts has been extended to include not only making deposits and cashing checks, but likewise to certifications, vouchers, statements, pass books, and stationery.

The unit system is practicable, of course, only where the number of accounts is sufficiently numerous and active.

### *Methods of Safeguarding the Paying Teller's Cash*

Perhaps the foremost safeguard in protecting the paying teller's cash is the character and moral responsibility of the teller himself. The immediate negotiability of cash makes it subject to de-

signs of unscrupulous persons, both within and outside the bank, and only persons of the highest moral integrity as demonstrated by past acts and having the best of references, should be engaged as paying tellers. It goes without saying, that paying tellers should be bonded with some fidelity insurance company for an amount certainly as high as any other person in the bank, and considerably more than for the average. It is unnecessarily expensive to bond a paying teller for the maximum amount of cash over which he is likely to have control for the reason that most banks procure a blanket policy to indemnify themselves against all insurable losses of whatsoever nature.

Another important factor in the safeguarding of the paying teller's cash is the location of the paying teller's department with reference to the bank's entrance or entrances. Placing the paying

teller's department at some distance from the entrances seems to be an almost universal practice among city banks, although this is not true of most country banks. A canvass of New York banks, for instance, reveals that the paying tellers' cages have been removed to the rear of the bank corridor in a conspicuously large percentage of cases. The obvious reason for the removal of paying tellers' cages from locations adjacent to the entrance is to obtain better protection against possible attacks of hold-up men. With the added precaution of engaging special guards who are stationed at regular intervals along the corridor, persons attempting to perpetrate a hold-up of the paying teller are bound to be frustrated in their efforts, because of the necessity of passing through the entire length of the corridor, sentineled by armed guards, before making their exit.

Among city banks the employment of

special armed guards in uniform is an almost universal practice. Although armed guards act as guides and informants to customers, their special purpose is to discourage and prevent possible burglaries, hold-ups or assaults. Thus the purpose is preventative in character rather than being a means of apprehending culprits after an assault has been committed. It is far better to prevent a burglary or assault than to attempt to recover a loss or repair an injury after it has occurred. The chief element in breaking down the morale of potential yeggmen is the certain knowledge that the bank is guarded by a corps of able and alert armed guards. The daring of yeggmen is in direct proportion to the chances of success. No assault is likely to be made when the promise of success is slight.

Most banks are equipped with various protective apparatus. Among the most

important are: (1) Electric signal systems communicating with a local burglar alarm company prepared upon alarm to dispatch detectives in case of trouble. For night protection this system usually involves a periodical turning in of signals from signal boxes located in various parts of the bank. (2) Emergency alarms with buttons placed at the finger-tips of tellers to call special guards located at other stations in the bank. (3) Protection of the paying-teller by erecting bullet-proof armored glass in front of paying tellers' cages. (4) Automatic door-closing device operated from the paying teller's cage to close all means of exit to hold-up men who may attempt an assault. (5) Burglar-proof vaults with time locks and alarm signals.

Such devices have received increasing attention and have become more universally adopted in recent years.

Paying tellers' cages should always be

locked in the temporary absence of the paying tellers, and in no event should all cages be vacated simultaneously until after the close of business when the money has been removed to the vault. In no case should bills be exposed to the view of customers by lying loose on the counter. Bills should always be carefully assorted in compartments of the drawers in the paying teller's cage, or in the auxiliary cage safe.

Except for small amounts maintained in several departments where necessary, all the cash of the bank should be held by the paying teller on account of his special facilities for safeguarding it. Whenever cash is delivered from one department to the paying teller, it should be guarded in transit and receipted for when delivered.

The paying teller is responsible for the safe-keeping of the till money over which he has exclusive control. The surplus

money stock—in excess of current needs—is usually held in custody by an officer or officers in conjunction with the paying teller. In other words, the bulk of the cash is kept under double or triple joint control. Joint control is secured by placing at least two combinations to each compartment of the vault, only one of which is known to a single person. Since no one person knows both the combinations unlocking the safe or vault the withdrawal or deposit of money in the vault, requires the presence of at least two persons who become mutual witnesses to the transaction. The duty of setting the time lock is usually imposed upon the paying teller.

### *Cashing Checks*

In cashing checks, paying tellers must exercise extraordinary caution to see that funds are paid only to properly identified persons and upon proper authorization.

A paying teller is involved in many risks in cashing checks, and experience, agility and composure are required to create necessary confidence and assurance that the funds are properly disbursed and yet perform the work with necessary speed and courtesy.

Familiarity with the law of negotiable instruments and particularly with the law in regard to checks is almost indispensable for paying tellers. Many risks can be eliminated and errors avoided if paying tellers are thoroughly cognizant of the essential elements and structure of a check.

A check is an order drawn upon a bank (drawee) by a depositor (drawer or maker and payer) to pay a certain sum of money to a third party (payee) upon demand. The elements of a check may be classified as essential and non-essential, both of which are analyzed as follows:

## ESSENTIAL ELEMENTS

1. The phrase "pay to the order of" makes the check an unconditional promise to pay upon demand, and imparts negotiability to the instrument. The single word "pay" may also be used, except that such a check is not negotiable, and is payable only to the person named as payee.

2. Name of payee—person in whose favor the check is drawn. Checks are sometimes made out payable to "self", "currency", "bearer", or "cash", which is allowable.

3. Amount payable in figures.

4. Amount payable written out in words.

5. Name and location of drawee bank.

6. Signature of drawer or maker. In case of a corporation the signature and counter signatures of designated officers are necessary. The signature is the final touch without which the check is valueless.

7. Endorsement. The check should be endorsed as drawn, either in blank or by a special endorsement. Restrictive or qualified endorsements should not be accepted.

## NON-ESSENTIAL ELEMENTS

1. Location. Name of city in which maker or drawer is located.
2. Date of drawing the check.
3. Number of check.
4. Transit number, indicating the name and location of the drawee bank according to the universal numerical transit system.

The paying teller in cashing checks must observe the following points and be certain that there are no irregularities, informalities or discrepancies which might involve the bank in a loss:

1. Identification of presenting party.
2. Date.
3. Filling.
4. Alterations.
5. Signature:
   a. Authority to sign.
   b. Forgery.
6. Stop payment.
7. Financial responsibility.
8. Whether a home debit or drawn on another bank.
9. Endorsement.

Identification—The identity of the person presenting a check for payment should be established beyond doubt because the bank is responsible for paying out money to an unauthorized payee. When an account is opened the identity of the principals of the account should be established immediately. The paying teller should consult the officer opening the account when the first check is presented. If the payee's representative presents the check for payment the agent's endorsement should be procured as evidence of payment.

Checks should ordinarily not be cashed for strangers unless endorsed by a depositor of the bank. Oftentimes the maker of a check will guarantee the endorsement on it. In the case of a draft drawn out-of-town, the correspondent should forward a specimen of the payee's signature in a letter of advice in advance of its presentation for payment. Pay-

ment of checks should always be declined or referred to an officer, in cases where identity cannot be established.

Date—The bank has authority to pay a check only when the check is dated as of the day of presentation, or antecedent thereto. Neither should checks dated ahead (postdated), nor checks more than six months old (stale) be paid. Checks are in most instances presented soon after they are drawn, and when they are held out there is a presumption that something is wrong. For instance, it may have been lost and found and presented by a person not having good title to it. Furthermore, the account may have been closed in the meanwhile. When a check is presented which is more than six months old it is well to consult the principals of the account for instructions, and also to verify the balance in the account before cashing it.

Since the date is not an essential ele-

ment, an undated check is valid and it is unnecessary to insert the missing date.

FILLING—The amount written in words should agree with the amount in figures. If there is a discrepancy between the written words and figures, it is best to ask the presenting party to secure a corrected check or else to make the correction and place his signature immediately thereunder.

When there is a discrepancy between the written words and figures, the amount denoted by the words is the sum payable. Wherever the authority of the drawer is given to change the amount in figures to correspond with the words, the paying teller should rule out the wrong amount in figures and place the correct amount above so that no error will be made when the amount is posted to his cash proof sheet or by adding machine clerks, ledger clerks, or statement clerks, after the check leaves the

paying teller's cage and is routed through the various departments of the bank.

ALTERATIONS—Possible alterations of checks are always a source of great annoyance and risk. Many mechanical contrivances have been invented in an effort to minimize the chances of a dishonest person raising a check or changing the payee's name. Some machines write the words and figures in the fibre of the paper by injecting indelible ink into the bruised portion which also covers the payee's name. Another device cuts the words and figures into the check. Still another method is to indicate on the margin of the check, or above the signature the maximum limit by imprinting the words, "Not over $ ——." Postal money orders are protected on the left-hand margin in this way. These various devices are simple and inexpensive means of insuring against losses arising

through the raising of checks, and customers should be educated in their use.

Paying tellers should see that there is no discrepancy between the filling and the maximum limit indicated by any type of check-protecting device. If, for instance, a check should be written for $1000 and the maximum limit of $100 is indicated, the bank is liable for any amount paid in excess of $100.

Signature—The signature should be examined for genuineness. If the paying teller does not know the signature—as in the case of a new account—he must consult the signature file, which should be accessible, and refer to the appropriate signature card to see that the signature corresponds. The signature of the principals of each account are secured on a signature card when the account is opened. Some banks procure specimen signatures on three different cards to be used in the paying teller's and new busi-

ness departments and at the check desk. Other banks make a practice of photographing the signature cards, thus obviating the necessity of requesting customers to sign more than one card.

In the case of corporation accounts, the signature of each official authorized to sign, either as full authority or for counter signature, is obtained. Copies of resolutions of the Board of Directors empowering such officials to sign are also procured and lodged in the credit department files, central files, or elsewhere.

The paying teller must see that the signature is not only genuine, in the case of a person signing for a corporation, that he has power to sign and that the power to sign is still in force.

Stop Payments—The paying teller should examine the stop payment sheets to see that no stop payment orders have been issued against the check presented. In a small bank it is quite possible for the

paying teller to retain current stop payment orders in his mind. (See section entitled, Stop Payments.)

Financial Responsibility—If the paying teller is not thoroughly familiar with the financial responsibility, or knows that the account is frequently overdrawn, he must ascertain from the ledger clerk whether sufficient funds are in the account to meet the check. The paying teller is made responsible in most banks for seeing that checks are not paid where insufficient funds or no funds are in the account. Among larger banks where the customers' ledgers are placed at some distance from the paying tellers' cages, this information is ascertained by means of the telautograph.

In Australia before a check is cashed it is necessary for the customer to go to a separate window for identification and verification of the account, after which the check is certified. The payee then

goes to the paying teller's window where the check is paid without question.

Other Banks' Checks—Paying tellers are usually instructed not to cash checks drawn on other banks, whether located in the same city or out-of-town. Other bank checks are referred to an officer and are cashed only when so approved.

Clearing house rules generally provide for exchange charges on checks drawn on out-of-town banks not in the area of par collections. Inasmuch as pecuniary penalties are imposed for non-observance of this rule, paying tellers are charged with making proper deductions for exchange on out-of-town checks drawn on banks not in the area of par collections in accordance with the schedule of exchange charges prescribed by the local clearing house association.

Endorsement — The endorsement must be properly affixed. Checks should

be endorsed exactly as drawn—either in blank or by special endorsement. Restrictive or qualified endorsements should not be accepted. Checks substituting the word "Pay" for the phrase "Pay to the order of" are not negotiable, and are, therefore, payable only to the original payee.

Cash or Bearer Checks—Checks payable to "cash", "currency", "self", or "bearer" require no endorsement when presented by the drawer. In case the drawer himself does not present the check so drawn, the endorsement of the presentor — drawer's representative — should be requested. Technically this cannot be insisted upon, but inasmuch as cash is being paid to a person other than the drawer, the paying teller protects himself in case the funds are misappropriated. Evidence of the presentation and payment of the check is had by

reason of the endorsement of the drawer's representative.

Matured Coupons—Paying tellers are usually authorized to pay matured coupons of Government bonds—especially the Liberty issues—when presented in small amounts in envelopes for the convenience of customers.

Cashing Expense Slips—The petty expenses incurred by a bank are usually paid in cash. Vouchers or expense slips are made out, explaining the nature of the expenses. When approved by proper officials, expense slips may be cashed by paying tellers.

When checks are presented for payment the paying teller should ask the customer what denominations he desires. Bills should be counted twice. If an automatic cashier for fractional coins is

provided for counting change a great saving of time is effected because coins do not need to be counted twice.

The principal reasons for cashing checks rather than depositing them for credit are to provide for company payrolls, petty cash funds, and current expenses of individuals. Wages and salaries are generally paid on Saturday, thereby occasioning an extraordinarily heavy demand for payroll cash on Friday and Saturday. When payroll demands are known to be heavy, it is desirable for banks to request such customers to submit their payroll checks, together with a list of denominations of coin and currency desired, a day ahead so that the paying teller will have ample opportunity to prepare the amount.

### *The Paying Teller's Cash Proof*

The paying teller's proof is comparatively simple. Knowing how much cash

## RECEIPTS

1. Cash Balance at Beginning of Business . . $\_\_\_\_\_\_$
2. Additional Amounts from Money Section . . . . $\_\_\_\_\_\_$
3. Currency Shipments Inward:

| Ticket No. | Amount | Ticket No. | Amount | Ticket No. | Amount | Ticket No. | Amount |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

$______

4. Receipts from Departments:

| Receiving Teller | Collection Teller | Mail Teller | Coupon Collection |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| Trust Dept. | Loan Dept. | Securities Dept. | |
| | | | |
| | | | |
| | | | |
| | | | |

$______

5. Exchange Earnings:

| | | | | |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |

$______

6. Total Receipts . . . . . . . . . . . . $______
7. Balance at Close of Business . . . . . . $______

TOTAL. ______

PAYING TELLER'S CASH PROOF

_______________ 19__.

## DISBURSEMENTS

1. Cashing Checks:

| Clearing House | Home Debits | Transit | Messenger | Coupons |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Total Checks $ ________

2. Currency Shipments Outward:

| Ticket No. | Amount | Ticket No. | Amount | Ticket No. | Amount | Ticket No. | Amount |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

$ ________

3. Petty Expenses:

| | | | | |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |

$ ________

4. Payroll $ ________

5. Miscellaneous $ ________

TOTAL ________

Paying Teller's Cash Proof

with which he starts the day's business, the paying teller should have on hand at the close of the day, a sum representing the amount he took to his cage, plus any exchange earnings, plus currency shipments inward, less an amount equal to the sum of checks or other cash items (matured coupons and expense slips) which were cashed during the day and are on hand.

For purposes of routing to other departments, checks which have been cashed are separated from time to time during the day by the paying teller in several classifications — clearing house checks, home debits, out-of-town checks, and checks to be collected by messenger. These are listed item for item in separate columns on the cash proof sheet, a form of which is shown on pages 54 and 55.

### *Risks of the Paying Teller*

The paying teller's risks run parallel to the precautions he must observe in cashing checks. Whereas the receiving teller may be defrauded only by receipting for more than he takes in, by accepting counterfeit money or raised bills, or accepting checks that are forged or irregularly endorsed, the paying teller has many opportunities for committing errors involving the bank in possible losses. He may over-pay, over-certify, or pay to an unidentified person. He may pay a check for an account having insufficient or no funds, or which does not exist at all. He may pay a postdated or stale check. He may pay a check against which a stop payment order has been issued. He may pay an altered or forged check. Any one of these errors raises legal questions as to liability in the case of loss and whether the bank has a cause for action to recover such losses as

may be sustained. When errors of this nature are made, the bank's principal protection lies in the moral and financial responsibility of its customer. It is for this reason that conservative banks are extremely particular about the character of the principals of the accounts which they select or accept.

While court decisions are oftentimes at variance on the same questions, and conflicts in decisions of state and federal courts are numerous, in most of the above cases the bank would at common law be technically responsible on the ground of failure to use due diligence. In any event, good service and economy require that paying tellers be continually on the alert to avoid the creation of embarrassing situations and legal involvement, both of which, to say the least, are always expensive. (See Appendix I.)

*Stop Payments*

A depositor has the legal right to stop

payment on checks which he has previously drawn. This right places an obligation upon banks which must be met by maintenance of careful records and exacting and scrupulous observance of instructions on the part of paying tellers.

The principal reasons for issuing stop payment orders are cancellation of purchase orders, to prevent cashing of a lost check by a dishonest person who may have come into possession of it, and to prevent the payment of an original check when the duplicate has already been paid. Paying tellers would do well to make a mental note of the customers who are in the habit of stopping payment on their checks.

In order to make a bank liable, a stop payment order must be presented in writing and must reach the bank on which the stopped check is drawn before it is presented. A telegraphic request to stop payment is legally enforceable, but an

oral or telephonic one is not. Banks usually endeavor to stop payment on oral or telephonic instructions, but are not always able to do so. A form of stop payment order follows:

Date..............

Kindly stop payment upon a check drawn by

.................. on .................., dated
(us or me) (name of payee)
........... The number of the check is.......

Very truly yours,

......................
(Name of drawer)

It will be noticed that the stop payment order gives four facts—the number, date, amount, and payee of the check. Paying tellers and check-desk clerks keep a list of the stop payment orders continually before them. This list is usually arranged in alphabetical order, according to the names of the drawers who

have issued the stop payment orders. The paying teller should keep in mind all stop payment orders and the list should be scrutinized before a check is cashed.

Foreign banks issue checks in original and duplicate, or, as is sometimes designated, first and second of exchange. Duplicates are not paid until it is determined by inspecting the statement of account (statement department) or cancelled checks (voucher department) to see whether the original has been paid. At the time a duplicate check is paid, a stop payment order is automatically placed against the original. Since the possible previous payment of the original is always verified, when a duplicate is presented for payment, it is not necessary to place a stop against a duplicate at the time the original is paid. On the other hand, when the original is presented, provided there is no stop payment against

it, it is paid without verifying the payment of the duplicate through the statement or voucher records.

Acknowledgment of a stop payment order should be made by a form letter to read as follows:

> We are in receipt of your letter of ............, requesting us to stop payment of your draft No. ........, dated ............, for $........, to the order of ......................, and the matter will have our careful attention. The draft does not appear to have been paid since date of issue.

Acknowledgments are also made of cancellations of stop payment orders. This form letter may read:

> We are in receipt of your letter of the ......... and in accordance with your instructions we have removed the stop payment order which we had placed against your draft No. ........, dated ................, in favor of .................. for $................

Stop payment sheets must be duplicated for use at the check-desk so that checks coming in through the clearing house upon which stop payment orders have been placed, may be stopped and returned to the presenting bank. (See Appendix I.)

*Alterations and Forgeries*

In the great majority of cases decided by the courts a bank is liable to the drawer for paying either a forged check or a check that has been raised. Just as a bank is presumed to know the signatures of its customers, so is it required to

use due diligence in protecting its customers against losses arising through the raising of the amount of a check.

The chief means of prevention of raised checks is the use of various check protecting devices. Both banks and manufacturers of check protecting devices have made some progress in educating depositors to protect themselves against this method of defrauding. Many special devices have been placed on the market for the prevention of check raising, and have proved exceedingly useful in minimizing this dishonest practice.

Paying a forged check is one of the greatest risks with which a paying teller must contend. The chief means of combating this risk is for a bank to educate its depositors to properly protect their blank checks. Depositors should keep their blank check books under control and know what becomes of each one of the series. They should not sign checks

in blank or give blank checks away to strangers. A customer cannot recover against a bank which has paid a forged check if the depositor is guilty of negligent acts.

Just as forgeries can be prevented if blank checks are made inaccessible to those who might use them for purposes of committing forgery, so the raising of checks can be prevented by the use of latest improved check protecting devices. (See Appendix I.)

### *Certifications*

Among smaller banks checks are certified at the paying teller's window. Larger banks usually maintain a separate window or windows, usually adjacent to the paying teller's window, whenever the volume of certifications is sufficiently large to warrant a separation of functions. The certification section of a bank is a part of the paying teller's depart-

ment, however, because certifying a check is equivalent to paying it. When a check is certified, the bank is absolutely bound to pay it because it becomes an *obligation of the bank* instead of being an *order on the bank.* A certified check certifies that the depositor has sufficient funds for its payment and that these funds have been set aside by the bank for the express purpose of its payment, and therefore payment cannot be refused because of insufficient funds.

When a check is presented at the window for certification the drawer's account is inspected on the ledger to see that sufficient funds to cover the amount are on deposit. Whenever the bookkeeping department is located on another floor or at some distance from the certification window, this information is communicated by means of the telautograph. If the funds are adequate, the check is certified and the amount thereof is im-

mediately deducted from the credit balance of the customer's account.

A check is certified by stamping or writing across its face the word "Certified" or "Accepted", together with the date, the bank's name, and the name of the officer authorized to make certification.

Since a certified check becomes an obligation of the bank, when a check is certified the drawer's account is reduced (charged), and "certified checks" account (in the general ledger) is increased (credited). When certified checks are returned through the clearing house or other channels the account "certified checks" is reduced (charged). Thus the balance of this account represents the total amount of certified checks outstanding.

Although a bank is not obliged by law to certify checks for its customers, among the banks in the larger cities—especially

in New York—certification business forms a very important service feature. Certified checks are extensively used in those types of business where it is important to receive the equivalent of cash, without at the same time using cash, such as in brokerage transactions, stock and bond transactions, payment of loans, and real estate transfers.

A check may be certified at the instance of either the holder of the drawer. Certification at the instance of the holder releases the drawer and all endorsers from further liability. They are out of the transaction entirely and the holder has recourse against the bank only. Should the bank fail, for instance, the holder of such a certified check has no cause of action against the drawer. Where a bank certifies a check at the instance of the drawer, however, the latter is not released from liability. Should the bank upon which it is drawn fail be-

fore the check is presented, the holder still has recourse against the drawer. (See Appendix I.)

*Sources of Money Supply*

Since it is the duty of the paying teller in conjunction with the money department to maintain an adequate supply of money to meet the requirements of local customers and all out-of-town correspondent banks, it is necessary that he be familiar with the various sources of money supply. It is also necessary to note the procedure required to redeem money and what disposition to make of temporary excess supplies. Sources of money supply may be broadly classified in two main divisions:

1. Old Money—already in circulation.
   a. Cash deposits received from customers through the receiving teller's windows.
   b. Cash received from other departments of the bank—in relatively small quantities—such as

note teller, city collection, coupon collection, money orders and cashier's checks, and proceeds of collection items.

c. Currency and coin shipments inward—by registered mail or express—from out-of-town correspondents or other banks.

d. Federal Reserve Banks (see below).

2. New Money—from original Government sources.

a. Federal Reserve Banks. Since the United States sub-treasuries* have been closed and their functions taken over by the various Federal Reserve Banks, all kinds of circulating media, whether paper or metallic money, excepting national bank notes, can be procured from the Federal Reserve Banks or branches. National Bank Notes may, however, be deposited with the Federal Reserve Bank for immediate credit.

Since the supplies of new money (currency from the Bureau of Engraving and Printing and coins from the mints) are limited, the Federal Reserve Banks endeavor to parcel out new supplies to the member banks ratably

*The operations of the Sub-treasuries as a part of the fiscal system were required to terminate on June 30, 1921, by an Act of Congress. Sub-treasury operations actually ceased December 6, 1920.

so that each bank gets its fair quota of the new currency available to enter circulation.

This does not mean that money that has already been used in circulation is not procurable from Federal Reserve Banks. When the supply of crisp bills or new coins is exhausted the demand of banks for currency is filled by distributing old currency.

b. United States Treasury. National bank notes can be secured from the United States Treasury only. They are not to be had from the Federal Reserve Banks. New national bank notes are obtainable in exchange for mutilated and worn ones, or by increasing the deposit in the 5 per cent. redemption fund.

c. United States Assay Offices. Gold bars are procured from the various United States Assay offices, except for small amounts under $5,000, which may be bought from bullion brokers. As an accommodation to out-of-town member banks, Federal Reserve Banks also sell gold bars.

Supplies of coin or currency from the Federal Reserve Banks are shipped to member banks without charge to them for express and insurance costs. Like-

wise, when member banks have excess supplies of cash on hand, they are shipped to the Federal Reserve Bank of the district without costs, which are borne by the Federal Reserve Bank. Thus worn and mutilated currency may be sent to the Federal Reserve Bank, for either redemption and exchange, for an equivalent amount of new currency, or for building up the legal reserve account; excess money supplies are sent for credit only.

### *The Money Department*

The money department is in reality a section of the paying teller's department. Its function is to receive from various departments of the bank, and from banking correspondents, cash charged to the paying teller, and to count, inspect and verify it. In the larger banks the work of counting, inspecting and verifying money requires much detailed and exact-

ing attention because of the large amounts handled each day.

The money counting section should be enclosed in a separate cage in order to prevent the entrance of those not connected with the work. Each money counter should be provided with a separate desk cage so that he may segregate the cash assigned to him for counting, inspecting and verifying. In large banks a special guard is usually provided to protect money counters from possible holdups.

While the procedure in the money department will vary according to the size of the bank, it is usual for the paying teller at the beginning of each day's business to charge the head of the money counting section with that portion of the bank's money which remains to be sorted, inspected and counted. A certain amount of cash is received daily by mail or express and over the counter which is ac-

cepted subject to count, *i. e.,* with the understanding that if it is not correct, an adjustment may be made in the account of the depositor for the difference, whether over or short. The money which the money counting section receives in the morning from the paying teller, who withdraws it from the vault, may be divided into three parcels:

1. Odd—various.

   This parcel consists of odd amounts of both mutilated and currency fit for circulation, of different kinds and denominations, in insufficient lots to make up standard size packages.

2. Good—various.

   This parcel consists of paper money which is fit for circulation, but of various kinds and denominations in insufficient lots to make up standard size packages.

3. Held.

   This parcel consists of uncounted paper money which has been received in packages by mail or express and over the window, which has not yet been verified.

These three parcels of money are then distributed to the various persons designated to count and inspect money and charged to them by the head of the money counting section.

The work of the clerk in the money counting section may be divided under the following heads:

1. Separating money by kinds.
2. Separating by denominations.
3. Sorting the good or usable currency from the worn and mutilated currency which is unfit for circulation.
4. Detecting counterfeit coins and counterfeit and raised bills.
5. Verifying the count.
6. Strapping packages after they have been sorted by denominations and kinds into standard sized packages, preparatory to storing.
7. Initialing straps on the packages after the bills have been counted.
8. Submitting counted packages which have been assigned to them by the head of the section and proving with the head of the section.

### *Separating by Kinds—What a Paying Teller and Money Counter Should Know About the Various Kinds of Money*

To the uninitiated all kinds of money are identical. In reality, however, there are seven kinds of paper money and four of metallic money which vary in their security, redeemability, volume, elasticity and legal tender qualities. Some kinds of money have a full 100 per cent. reserve behind them; others have not. Some are obligations of the U. S. Government; others are obligations of a Federal Reserve or National Bank. In ordinary times one kind of money is as good as another because they have equal purchasing power. The differences in the eleven kinds of money may prove to be important, however, in case of a serious currency disturbance, just as in the "greenback" period from 1862 to 1869, when certain kinds of money were at a

discount in terms of legal standard money.

Legal tender is money of a character which by law a debtor may require a creditor to receive in payment, in the absence of any agreement in the contract or obligation itself. Thus legal tender is money that is legally tenderable in payment of debts, unless the contract calls for payment in some specified kind of money, as, for example, "gold coin of the present standard of weight and fineness". A contract calling for the payment, for instance, of $10,000 may be paid in any kind of money that is legal tender, unless the contract expressly stipulates to the contrary. As an inspection of the analysis of money below will reveal, gold coins, silver dollars, United States notes, and gold certificates are legal tender, and such a contract is payable in any of these currencies. Contracts calling for payment in gold coin,

or silver dollars, or in any other kind of money, however, must be paid in the kind of money specified regardless of what may be legal tender.

The variations in the legal tender qualities, the supporting security and redeemability of the various kinds of United States money are sufficiently different to warrant some study. For this reason an analysis of different kinds of United States money is presented.

Gold Coins—The gold coins of the United States are legal tender in all payments at their nominal value when not below the standard weight and limit of tolerance provided by law for a single piece, and, when reduced in weight below such standard and tolerance are a legal tender in valuation in proportion to their actual weight. Since gold coins are subject to abrasion their weight is subject to reduction. The limit of tolerance on

double eagles ($20) and eagles ($10) is one-half grain on individual pieces; on smaller denominations of gold coins, the limit of tolerance on individual pieces is one-quarter grain (See Revised Statutes, section 3535). In England the limit of tolerance is three grains per sovereign.

Loss of weight to this extent does not affect the legal tender quality of gold coins. Redemption is also provided for light weight gold coins within certain limits. The law is as follows: "Any gold coins of the United States, if reduced in weight by natural abrasion, not more than one-half of one per cent. below the standard weight prescribed by law, after a circulation of twenty years, as shown by the date of coinage, and at a ratable proportion for any period less than twenty years, shall be received at their nominal value by the United States Treasury and its officers, under such regulations as the Secretary of the Treasury

may prescribe, for the protection of the Government against fraudulent abrasion or other practices. * * * Any gold coin in the Treasury of the United States when reduced in weight by natural abrasion more than one-half of one per cent. below the standard weight prescribed by law, shall be recoined."

Gold being the standard money, and its worth as coin depending upon its value as bullion, is not redeemable in any other form of currency.

STANDARD SILVER DOLLARS—Standard silver dollars are legal tender at their nominal value for all debts and dues, public and private, without regard to amount, except where otherwise expressly stipulated in the contract. Standard silver dollars are not redeemable in gold—the standard money—although by the Gold Standard Act of 1900 the different kinds of money in circulation are

required to be kept on a parity with gold by the Treasurer of the United States.

Subsidiary Silver Coins—The silver coins of the United States of smaller denominations than one dollar—10, 25 and 50 cent pieces — are legal tender in all forms not exceeding $10, in full payment of debts and dues, public and private. In larger amounts they are not legal tender. The purpose of this is to prevent a debtor from forcing light weight coins in large quantities upon a creditor.

Subsidiary silver coins are redeemable in lawful money when presented to the United States Treasurer in sums or multiples of $20 (See Appendix II).

Minor Coins, Nickel and Copper—Minor coins are legal tender at their nominal value not exceeding the amount of 25 cents in any one payment. The purpose of limiting the legal tender value of these coins is the same as in the case

of subsidiary silver coins. For the principles underlying fractional currency—minor coins or token money, see Appendix II.

GOLD CERTIFICATES—Gold certificates are issued in denominations as follows: $10, $20, $50, $100, $500, $1000, $5000 and $10,000. This issue is engraved with yellow backs, yellow seals being stamped on the obverse side. They are, in effect, warehouse receipts certifying that a gold dollar has been deposited in the United States Treasury for each dollar represented by the certificate. They circulate in lieu of an equivalent amount of actual gold, in which metal they are redeemable. Gold certificates are, in other words, secured by a 100 per cent. gold reserve. They were not originally legal tender, but were made full legal tender by an Act of Congress, December 24, 1919.

These certificates have largely disap-

peared from circulation in recent years. Since they are now eligible to secure Federal Reserve Notes, they are being held in large quantities by the Federal Reserve Banks as collateral therefor.

SILVER CERTIFICATES — Silver certificates are issued in denominations as follows: $1, $2, $5, $10, $20, $50, $100, $500 and $1000. This issue is engraved with green backs, being stamped with a blue seal on the obverse side. Like gold certificates they are, in effect, warehouse receipts certifying that a silver dollar has been deposited in the United States Treasury for each dollar represented by the certificate. They circulate in lieu of an equivalent amount of actual silver in which metal they are redeemable. Likewise they may be regarded as being collateraled by a 100 per cent. silver reserve. They are not redeemable in gold and are not legal tender, but through the opera-

tion of the Gold Standard Act of 1900 all forms of United States money are required to be maintained on a parity, so that the question of their legal tender and acceptability at par does not arise.

United States Notes, Also Known as "Legal Tenders" and "Greenbacks"—These notes were created by the Act of 1863. They are issued in denominations as follows: $1, $2, $5, $10, $20, $50, $100, $500, $1000 and $10,000, but mostly in small denominations. They were the first bills to be engraved with green backs and were formerly known as "greenbacks." This issue bears a red seal on the obverse side. (There are $346,681,016 of these notes outstanding, against which the United States Treasury holds $150,000,000 in gold for their redemption.) There is consequently a gold reserve of slightly more than 43 per cent., protecting these notes. They are re-

deemable by the United States Treasurer in gold and are legal tender except for duties on imports and interest on the public debt.

Treasury Notes of 1890—Very few of these notes are now outstanding because they are retired as fast as received by the Treasury Department. Their retirement is supplanted by silver certificates supported by silver coin previously purchased with the Treasury Notes. For practical purposes this form of currency may be disregarded.

Federal Reserve Notes — Federal Reserve Notes are issued in denominations as follows: $5, $10, $20, $50, $100, $500, $1000, $5000 and $10,000. The issue is engraved with green backs and bears a blue seal on the obverse side. The security behind Federal Reserve Notes may be of three kinds :(1) commercial paper rediscounted for member banks by

Federal Reserve Banks; (2) bankers' acceptances held by Federal Reserve Banks, and (3) gold or gold certificates. Whenever commercial paper or bankers' acceptances serve as collateral for Federal Reserve notes, the collateral must at least equal at face value, the amount of the issue of Federal Reserve notes. In addition a 40 per cent. gold reserve is required. Whenever gold or gold certificates along with commercial paper or bankers' acceptances serve as collateral for Federal Reserve notes, the gold or gold certificates also count as part of the 40 per cent. gold reserve required against these notes.

Federal Reserve notes are marked by the serial number of the Federal Reserve Bank of issue, and are redeemable in gold or lawful money at any Federal Reserve Bank or by the United States Treasurer. A redemption fund of at least 5 per cent. is required to be kept

by each Federal Reserve Bank for its notes outstanding at the United States Treasury, as a fund from which these notes may be redeemed if presented.

Federal Reserve notes are a direct obligation of the issuing Federal Reserve Bank and represent a first lien, equally with the Federal Reserve Bank notes described below, on the bank's assets. In addition they are a direct obligation of the United States Government. They are, therefore, fully secured by specific collateral, by the general assets of the Federal Reserve Bank of issue, and by the Federal Government.

Federal Reserve notes are not legal tender, but are receivable by the Government for all public dues and on all accounts by all Federal Reserve Banks, National Banks and other banks members of the Federal Reserve System.

Federal Reserve Bank Notes—Federal Reserve Bank notes are issued in

denominations as follows: $1, $2, $5, $10, $20, $50, $100, $500 and $1000. This issue is also engraved with green backs and bears a blue seal on the obverse side. Federal Reserve Bank notes are secured by the United States Government (pre-war) bonds equal to 100 per cent. of the amount issued, or by United States Certificates of Indebtedness, or one-year gold notes. There is no legal limit on the amount of Federal Reserve Bank notes which a Federal Reserve Bank may issue.

A redemption fund is required to be deposited with the United States Treasury, from which these notes may be redeemed if presented. This fund must be equal to five per cent. of the amount outstanding. They are also redeemable in gold or lawful money at the issuing bank.

Federal Reserve Bank notes are not legal tender, but are receivable for all

public dues except duties on imports, and may be paid out by the Government for all purposes except interest on the public debt and for redemption of Federal Reserve Bank notes.

National Bank Notes—National bank notes are issued in denominations as follows: \$5, \$10, \$20, \$50 and \$100. They are secured by Government (pre-war) bonds only, and otherwise are identical in all their attributes with Federal Reserve Bank notes. National banks may issue national bank notes up to the amount of their capital as a maximum. Under the Federal Reserve Act it is presumed that the bonds now being held as security against national bank notes will be purchased by the Federal Reserve Banks and that eventually the national bank notes will disappear from circulation. National banks are not required, however, to relinquish the circulation privilege.

As in the case of Federal Reserve Bank notes, a five per cent. redemption fund must be kept with the United States Treasury by the national bank of issue for their redemption if presented. The five per cent. redemption fund earns no interest and cannot be counted as a part of the bank's reserve against deposits. These notes are redeemable in gold or lawful money with the United States Treasurer and at the bank of issue. They are not legal tender, but like Federal Reserve Bank notes are receivable for all public dues, except duties on imports, and may be paid out by the Government for all purposes except interest on the public debt and redemption of national bank notes.

For the purpose of visualizing the different kinds of United States money with their principal attributes, a chart showing the various kinds of United States money follows:

| KIND | SECURITY | HOW REDEEMABLE | WHERE REDEEMABLE | LEGAL TENDER QUALITIES | DENOMINATIONS |
|---|---|---|---|---|---|
| 1. Gold Coin | | Not Redeemable | | Full Legal Tender | 5, 10, 20 |
| 2. Silver Dollar | | Not redeemable | | Full Legal Tender except when otherwise expressly stipulated in the contract | |
| 3. Subsidiary Silver Coins | | In sums or multiples of $20 in lawful money | United States Treasurer | For amounts not exceeding $10 in any one payment | |
| 4. Minor Nickel and Copper Coins | | In sums or multiples of $20 in lawful money | United States Treasurer | Legal Tender up to 25 cents | |
| 5. U.S. Notes, "Legal Tenders" or "Greenbacks" (1863) | Gold Reserve equal to 43.35% of issue | Gold | United States Treasurer | Legal Tender except for duties on imports and interest on the public debt | 1, 2, 5, 10, 20, 50, 100, 500, 1000, 5000, 10000 |
| 6. Gold Certificates | 100% in Gold | Gold | United States Treasurer or any Federal Reserve Bank | Full Legal Tender | 10, 20, 50, 100, 500, 1000, 5000, 10000 |
| 7. Silver Certificates | 100% in Silver | Silver | United States Treasurer or any Federal Reserve Bank | Not Legal Tender, but receivable for all taxes, customs and public dues | 1, 2, 5, 10, 20, 50, 100, 500, 1000 |
| 8. Federal Reserve Notes | 100% in Commercial Paper, Gold or Gold Certificates, in any proportion except that Gold Reserve must equal 40% of issue | Gold or Lawful Money | United States Treasurer or any Federal Reserve Bank | Not Legal Tender, but receivable for all taxes, customs and public dues | 5, 10, 20, 50, 100, 500, 1000, 5000, 10000 |
| 9. Federal Reserve Bank Note | 100% in U.S. Government Bonds having circulating privilege | Gold | United States Treasurer or any Federal Reserve Bank | Not Legal Tender. Receivable for all Public Dues except duties on imports Cannot be used by Gov't to pay interest or to redeem currency | 1, 2, 5, 10, 20, 50, 100, 500, 1000 |
| 10. National Bank Note | Same as Federal Reserve Bank Note | Gold | United States Treasurer or National Bank of issue | Same as Federal Reserve Bank Note | 5, 10, 20, 50, 100 |

CHART SHOWING VARIOUS KINDS OF UNITED STATES MONEY

### *Separating Good or Usable Money from Mutilated and Worn*

From 30 per cent. to 40 per cent. of paper money received for deposit is so worn and mutilated as to be unfit for circulation. It is a bank's duty to redeem money unfit for circulation and to pay out, so far as possible, clean, crisp bills. Paying out clean bills is certain to create a feeling of good will among customers, and, therefore, can be regarded as having definite advertising value.

The Treasury Department has kept a record of the average service life, in years, of different kinds and denominations of paper currencies. These are reproduced in the following table:

| Denomination | U. S. Notes | Gold Certificates | Silver Certificates | National Bank Notes |
|---|---|---|---|---|
| One dollar ........... | 1.61 | ... | 1.01 | ... |
| Two dollars .......... | 2.13 | ... | 1.17 | ... |
| Five dollars .......... | 2.45 | ... | 1.88 | 2.38 |
| Ten Dollars .......... | 3.58 | 2.35 | 3.35 | 2.31 |
| Twenty dollars ....... | 5.95 | 3.53 | 3.89 | 2.79 |
| Fifty dollars .......... | 6.18 | 3.93 | 2.84 | 3.36 |
| One hundred dollars... | 6.16 | 4.16 | 2.81 | 3.76 |
| Five hundred dollars... | 3.79 | 3.99 | 1.89 | 5.14 |
| One thousand dollars... | 4.21 | 3.89 | 1.42 | 3.34 |
| Five thousand dollars.. | .32 | 2.72 | ... | ... |
| Ten thousand dollars.. | .16 | 1.77 | ... | ... |
| All denominations .. | 2.29 | 2.81 | 1.20 | 2.48 |

The greater longevity of the Government issues of the denominations of $10, $20, $50 and $100 is due to the fact that these notes were formerly held from year to year in bank reserves.

Money counters should lay aside worn and mutilated bills for redemption. Torn or mutilated bills may be mended with transparent adhesive tape, but pins should not be allowed to remain in the bills.

New kinds of money are procurable from the sources already enumerated.

Since the Sub-Treasuries throughout the country have been closed and the functions assumed by the Federal Reserve Banks, supplies of money may be had at the nearest Federal Reserve Bank, as well as, of course, at the United States Treasury in Washington. (All paper money is printed and reprinted at the Bureau of Engraving and Printing, Washington, D. C. Metallic coins are manufactured at the various United States mints.)

Redemption of mutilated and worn money is best effected by the exchange of the uncurrent bills for new ones at the nearest Federal Reserve Bank. Where the Federal Reserve Bank is located in the same city this can be accomplished by direct delivery. Otherwise it is necessary to forward the currency by express—express and insurance charges being payable, as heretofore explained, by the Federal Reserve Bank. If the bank pre-

fers, instead of receiving new currency in return for the old, a credit may be placed to the bank's account upon the books of the Federal Reserve Bank.

Mutilated and lightweight gold coins are not redeemable at face value if below the limit of tolerance. Lightweight silver and minor coins are redeemable at face value.

Mutilated and torn paper currency is redeemable at the face value, provided three-fifths or more of the bill remains. For less than three-fifths, but for two-fifths and more, a piece of paper money is redeemable at one-half of face value. For less than two-fifths, a piece of paper currency is worthless. If the holder of any portion of a mutilated bill will furnish an affidavit certifying that the missing portion has been destroyed, that piece of paper currency will be redeemed at face value.

*Separating by Denominations*

After paper money is counted, and preparatory to storing it in the vault, it is strapped. All denominations are kept separate and strapped in separate packages. In the table below the denominations of the various kinds of paper money are exhibited. These are: $1, $2, $5, $10, $20, $50, $100, $500, $1,000, $5,000 and $10,000.

Packages are strapped containing one denomination and one kind of money only. A package consists, for instance, only of $1 silver certificates, $5 Federal Reserve notes, $10 United States Treasury notes, $20 Federal Reserve Bank notes, etc. Standard size packages are strapped as follows:

| | |
|---|---|
| $1 | bills in packages of $50 and $100 |
| $2 | bills in packages of $50, $100 and $200 |
| $5 | bills in packages of $250 and $500 |
| $10 | bills in packages of $500 and $1000 |

| | |
|---|---|
| $20 | bills in packages of $500, $1000 and $2000. |
| $50 | bills in packages of $2500 and $5000 |
| $100 | bills in packages of $5000 and $10000 |
| $500 | bills in packages of $50000 (or according to order) |
| $1000 | bills in packages of $50000 and $100000 (or according to order) |
| $5000 | (according to order) |
| $10000 | (according to order) |

New coins may be ordered from the Federal Reserve Banks. They are then taken to the automatic coin counting and wrapping machine where they are counted and rolled up in packages for payroll and counter use. The machine wraps them in "cartridge" rolls as follows:

| | |
|---|---|
| $.50 coins are wrapped in rolls of | $10.00 |
| .25 coins are wrapped in rolls of | 10.00 |
| .10 coins are wrapped in rolls of | 5.00 |
| .05 coins are wrapped in rolls of | 2.00 |
| .01 coins are wrapped in rolls of | .50 |

### *Detecting Counterfeit Currency and Raised Bills*

A very important part of the work of the money counter while counting and verifying currency is to be on the lookout for counterfeit and raised bills. Counterfeits are not easily detected by the visual process. They are more easily "caught" by the feeling of the weight and texture than by the appearance. The paper furnishing the basis for paper currency is made by a secret process and is difficult to imitate. Generally the quality of counterfeit paper is inferior to the paper used by the Government, and red and blue ink lines are used to imitate the red and blue silk threads in the genuine bills.

It will be some advantage for the money counter to understand the technical processes used by counterfeiters in making bills and coins because he will know better what to look for. There

are three principal methods of making counterfeit bills. The first is copying bills by hand, reproducing each finest line and imitating the silk thread in the paper of the genuine issue with delicate pen and ink work. Such work is performed only by experts—probably those who have formerly been engaged in the Bureau of Engraving and Printing. Some of these notes have been so skilfully imitated as to deceive the naked eye of experts.

The second method is to engrave a steel plate from which the counterfeit bills are printed. This process is more remunerative than the first because many bills can be reproduced from the same plate.

The third and most usual process is that of photographic reproduction. The photo-engraving process bills are not as accurate as the steel engraved bills and are the easiest of all to detect. The en-

graving is apt to be less distinct and of lighter color than in the genuine, for the reason that the plates are made from photographs of the original and something is lost in the process.

There are two principal methods of making counterfeit coins. The first is casting from a mold; the second is stamping with a die and press. In the casting process a mold is made from a new and genuine coin. In the stamping process a die must be made and the counterfeit money is struck off with sharp blows of a heavy press. The stamping process produces better results because the impression is more clearly cut, this, in fact, being the method used in making genuine coins.

No exact formulas can be given for the detection of counterfeits. Judgment, experience, knowledge of counterfeiters' technical processes, and familiarity in handling currency are the best guides.

Supplementing the guides suggested, the most competent assistance available in discovering counterfeits is the alarm spread by the periodical entitled, "The Counterfeit Detector," which describes each counterfeit issue that comes to the attention of the United States Secret Service Department. Two sources of information are the coöperative bank organizations and the Government secret service agents. Whenever counterfeits are discovered they are charged back to the account of the presenting customer and the Secret Service Department of the Government is notified.

Counterfeit bills are not as persistent in their recurrence as raised bills. Bills may be raised in several ways. The large figures on the corners of the larger denominations may be cut off and pasted over the figures in each of the corners of smaller denominations. Another method is to bleach out by acid the figures on

small denominations and skilfully insert higher ones with waterproof ink.

Raised bills can be readily detected by knowledge of the engraved portraits which the various genuine bills carry. Each denomination of different kinds of money carries a given engraved portrait. The engraved portraits appearing on each denomination of the various kinds of paper money are exhibited in a chart —Appendix III. Money counters should thoroughly master these denominational portraits in order to "catch" raised bills.

As this volume goes to press the Treasury Department has under consideration the revision and improvement of currency designs. The purpose in view is to insure the highest possible degree of protection against note-raising and to secure economy in printing. It is expected that the Secretary of the Treasury will soon prescribe that future re-issues of all kinds of United States paper

money bear the same denominational portraits which now appear on the Federal Reserve notes and Federal Reserve Bank notes.

It is to be presumed that changes will be made gradually and in the course of regular business and that no attempt will be made to discontinue old issues until their replacement becomes necessary by being sent to Washington for re-issue when they have become unfit for circulation.

When this regulation becomes effective the portraits of Washington will appear upon all $1 bills; Jefferson on $2; Lincoln on $5; Jackson on $10; Cleveland on $20; Grant on $50; Franklin on $100; Marshall on $500; Hamilton on $1,000; Madison on $5,000 and Chase on $10,000. Such a standardization of portraits will certainly be a boon to paying tellers and money counters by making

the process of detecting raised notes very much simpler.

### *Verifying the Count*

Packages of paper and metallic currency are received from customers and out-of-town correspondents by mail and express and over the counter, and are credited to the customer's account subject to verification, with the understanding that in case the amount of the deposit slip is incorrect, the credit will be adjusted. Bundles of paper money are distributed to the various money counters by the head of the department. Each bundle will contain a number of packages, the amounts of which are printed on the outside of the wrapper. The initials of the clerk of the institution from which they came also appear upon the wrapper. The money counter should make a list of the bundles charged to him. The packages are opened and bills

are counted, sorted and examined for counterfeits and raised bills. If any discrepancy arises in the count, the package is counted by another person, and after being verified by two parties the attention of the head of the department is directed to the discrepancy, whether over or short. The wrapper in all cases is initialed by the persons who have verified the count.

Currency is counted by units, i. e., by number of bills and not according to denomination. For instance, if a package contains 30 fives, 15 tens and 10 twenties, a five — the lowest denomination — is taken as a unit. One ten is considered as two fives, and a twenty as four. Thus the above package should contain 100 units, or $500.

After the money has been counted, proved, strapped in packages, and initialed, the packages are turned over to the head of the money section.

*Money Section Proof*

At the beginning of business the head of the money section enters in the money section proof the amount of the odd—various, good—various, and held in vault, each of which were placed in the vault the night before. To this are added the amounts charged the paying teller from the various departments of the bank receiving and turning over cash during the day. Cash is routed to the paying teller from other departments, usually with some kind of interdepartment total slip and the amount is signed for by the person receiving it.

At different times during the day the paying teller and assistant paying tellers may require additional amounts of currency to be used as counter or till money, and requisition the desired amount from the head of the money section. Sums relinquished to the paying tellers are

charged to them in the money section proof.

It is obvious that the money section should have on hand at the close of the day's business an amount equal to what it started the day with, plus receipts of cash from other departments, window deposits, and currency shipments inward by mail and express, less the amounts charged over to the various paying tellers. On the reverse of the money section proof is charged the amount of cash given to each of the money counters for separation by kinds and denominations, and for inspection and verification. At the end of the day when these amounts are turned in, they are credited to the appropriate money counter. The total amounts are entered at the bottom of the proof which should agree with the sum derived by subtracting amounts charged to paying tellers from the total on hand in the

morning, plus receipts from internal and external sources.

A record of "overs" and "shorts" should be kept by the head of the money section, showing the names of the depositors or correspondents whose cash deposits are in error, the date of such deposit, and the name of the money counter detecting the discrepancy. Claims are made against customers for the amount of any shortage or for counterfeits. Credits are allowed for "overs".

### *Shipping Currency*

Another important function of the paying teller's department, especially in a metropolitan city bank, is to keep correspondent banks supplied with suitable kinds and denominations of coin and currency upon their order. The paying teller is also requested to ship currency to banks not correspondents at the order of correspondent banks, received by mail

and telegraph, or long distance telephone. Such orders are executed only upon proper authorization, and when sufficient funds are on hand to meet the amount ordered.

Currency shipments may be classified under five groups:

1. Currency orders.
2. Coin orders.
3. Gold bar orders.
4. 5 per cent. redemption fund orders.
5. Transfer of funds orders.

These orders are the same in nature, but differ as to the kind of money desired, or the method by which payment is effected. Currency and coin orders call for shipments of currency and coin, the kinds and denominations desired being specified.

Gold bars are purchased from the nearest United States Assay Office because they are not regularly kept as part

of the money stock of a bank. They are purchased by banks for resale to manufacturing jewelers, dental manufacturers, and others using gold in the arts. Gold bars vary slightly in weight and fineness and must be tested for such. No less than $5,000 worth can be purchased from an Assay Office. Smaller quantities must be purchased from brokers at premiums varying according to weight and fineness.

Five per cent. redemption fund orders are orders usually received from correspondent banks to remit funds to the United States Treasury at Washington to make good a deficit arising in the 5 per cent. redemption fund required for redeeming outstanding national bank note circulation. All kinds of money are eligible for this purpose except National bank notes.

In a transfer of funds, currency is shipped to a third bank for which the re-

mitting bank receives reimbursement by charging the account of the correspondent bank.

Currency shipment orders are variously administered, depending upon the size of the bank. In the larger banks such orders are routed to the Chief Clerk, and before the money is forwarded the letter must pass through the following routine:

1. The chief clerk attaches a form (shown below) to the letter, which authorizes the paying teller to ship currency as per instructions after the proper signatures approving the shipment have been affixed to the form.

THE..................BANK

New York,................

TO PAYING TELLER:

This day at .....M., we received instructions from ................ of ................

..............................

........................

to ship to..................................

currency (or coin) by......(express—registered mail)......as follows:

.................................. $ .....

...........................................

The account on our books is in available funds for the above amount.

.................... ....................

Ledger Clerk. Chief Clerk.

In accordance with the above request you are instructed to make the shipment described and charge the amount thereof to the bank (banker or other depositor) above named. ................

Cashier

Shipment has been made

(Count and seals duly witnessed by)..........

......................... Paying Teller

Charged on debit ticket.....................

Consignee advised ........................

Charge compared with express

receipts and verified.....................

2. If no remittance accompanies the letter and the correspondent bank asks to have its account charged, the order is routed to the ledger clerk handling the account, who must initial it to signify approval if the account is in funds to meet the

amount required. The form is then signed by the chief clerk.

3. The form is then approved and initialed by the cashier or an assistant cashier.

4. The form is approved and initialed by the paying teller and the order is given to the money shipping section for filling.

5. When the money has been packed, sealed and ready for shipment, the form is approved and initialed by the shipping clerk and by a special officer, who delivers the package to the express company or postoffice, as a witness.

6. When reimbursement is received by charging the account of the correspondent bank, a charge ticket debiting such account is made out and initialed by the settlement clerk.

Shipments may be made either by express or registered mail, the most economical method being selected by the shipping clerk. Owing to the fact that the amount of recovery upon lost registered mail packages is fixed at a maximum of $50, when amounts in excess of $50 are shipped by registered mail, it is

necessary to procure additional insurance from one of the various insurance companies which underwrite such risks. All shipments by registered mail should be entered in an "Outgoing Insured Registered Mail" book containing the following information: Addressee, sender, amount, postage, insurance, and total amount charged to the account affected.

Shipments by express should be entered in an "Express Shipments Outward" book containing the following information: Date, value, consignee, destination, signature of express clerk receiving package, initial of shipping clerk delivering package, initial of person witnessing delivery to express agent, and initial of chief clerk. Express shipments are usually sent C. O. D.

Advice of shipment of currency should always be sent by mail in order to apprise the consignee of the shipment.

*Settling Clearing House Balances*

In most banks the paying teller is called upon to settle clearing house balances. In those cities in which Federal Reserve banks or branches are located, clearing house balances are settled without involving the transfer of a single dollar of cash. Inasmuch as Federal Reserve banks are members of the local clearing house association, settlements are made through adjustments in the clearing house members' accounts as they appear upon the ledger of the local Federal Reserve bank.

In most cities, however, clearing house balances are settled by means of cash, clearing house certificates, New York bank drafts, etc. Usually the clearing house rules provide for a settlement of balances before one o'clock. Banks having debit balances must provide the clearing house with funds by that time. Banks with credit balances can receive

amounts owing to them from the clearing house at one o'clock.

It is the duty of the paying teller to prepare the cash for delivery to the clearing house when debit balances occur, and to receive cash from the clearing house in case of credit balances.

### *The Bank's Payroll*

A bank's payroll is usually divided in two parts—one for officers and one for employees. The preparation of the payroll cash is usually made under the direction of the paying teller, and the officers' payroll is usually exclusively confided to him.

A record of the employees' salaries should be kept in a payroll book containing an alphabetical list of the employees' names. In the larger banks the payroll clerk acts under the supervision of the chief clerk and paying teller, and in co-operation with the employment de-

partment. The rate of salary for each employee, or changes in rates, are authorized by the chief clerk who routes the authority for salary payments and increases to the payroll clerk on a form which the payroll clerk retains as a permanent part of his record. Perhaps the most satisfactory payroll book is one which is ruled with as many vertical columns as represent the number of salary distributions during the year—52, if salaries are paid once a week. The amount of salaries for each week is entered in the column opposite the name of the employee.

New employees are ordinarily called "entrances" or "ins". Resigning employees are "exits" or "outs". Upon the engagement of a new employee a memorandum is sent to the payroll clerk from the chief clerk or employment officer stating the person's name, date of en-

trance, and weekly salary. With this memorandum as a basis of his computations, the payroll clerk enters the name of the person in the payroll book at the bottom of the alphabetical group to which the name belongs, the weekly rate in the first column, and the amount of wages for the week (on a pro rata basis if the employee did not begin on Monday), in the appropriate column. Whenever an employee leaves, a memorandum containing the information is routed to the payroll clerk from the chief clerk, giving the employee's name and date. This information is placed in the column affecting the resigning employee, and the salary for the week is made up accordingly. In case notice of an "exit" does not reach the payroll clerk until after the payroll is prepared, the proper amount of cash is extracted from the envelope and a credit ticket passed to credit the payroll account for the over-withdrawal of cash.

Before the money for the weekly payroll is placed in salary envelopes, it is essential to derive a proof of the total amount. Provided the number of employees and their rates of salary do not change, no proof is necessary inasmuch as the total payroll must be the same each consecutive week. Whenever there are "entrances" and "exits", or salary changes during the week, each payroll must be verified by reconciliation with the previous week's payroll. If there have been more "entrances" than "exits" for the week, or increases in salaries without change in the number of employees, the new payroll will show an increase in amount. To illustrate: Suppose the payroll for the week ending January 7th is $20,000. During the week there may have been ten "entrances", the combined salary of which is $250. Increases in salary amount to $100. There have been five "exits", representing a payroll de-

crease of $150. Therefore, if the new payroll is correct, it should be $20,000,—the old payroll, plus the salaries of the "entrances",—$250, plus the salary increases,—$100, minus the salary of the "exits",—$150, leaving a net balance of $20,200.

Having determined that the payroll should be $20,200 for the week, it is then necessary to determine whether or not the footing of the payroll book equals the required amount. When the proof is obtained, an order is passed, signed by the chief clerk, and the amount of money necessary for the payroll delivered to the payroll clerk by the paying teller.

The record of increases in salaries should be maintained as a part of the payroll clerk's records and a memorandum sent to the employment department for its records. A memorandum is also sent to the employment department to

indicate transfers of employees from one department to another.

*The Petty Cashier*

To provide for small expenses which must be paid in immediate cash, in the larger banks a convenient sized fund is placed in charge of a petty cashier. If a special petty cashier is not appointed some means must be provided for paying petty expenses and this duty devolves upon the paying teller and his assistants. Vouchers for petty cash expenditures should be signed by department heads, the chief clerk, and countersigned by an officer before they are eligible to be cashed by the paying teller. To convey some idea of what expenses must be met in this manner the following list is given:

1. Carfare.
2. Telegrams.
3. Postage due.

4. Taxicab hire.
5. Stationery.
6. Suppers and lunches.
7. Insurance on money and security shipments.
8. Miscellaneous.

When properly signed, paying teller's cash expense slips are stamped with the paying teller's "paid" stamp, and entered on the paying teller's records and held as part of the cash until charged out. Periodically all expense slips should be recapitulated by petty expense accounts and charged to the general ledger expense account. The auditing department should audit petty expense vouchers.

### *The Paying Teller's Reports*

On account of the necessity of keeping a legal cash reserve and so that adequate funds may be on hand to meet both ordinary and extraordinary contingen-

cies, the paying teller is usually asked to prepare certain reports for the information of the bank's officers. In the first place, a report showing the amount of each kind of money and total held by the paying teller is sent to the general bookkeeper, against which the general bookkeeper's cash figures may be proved and reconciled.

A weekly report is also usually submitted to some officer whose function it is to control reserves, to show the following:

1. Amounts of money analyzed according to denominations held by the paying teller.

2. Amount of currency received since last report.

3. Amount of currency on hand.
    a. Counted.
    b. Uncounted.
    c. Amount of currency shipped to correspondents since last report.

4. Amount of mutilated currency forwarded to

the Federal Reserve Bank or the United States Treasury for redemption.

5. Denominations and amount of new currency received.

Whenever a Comptroller's call is issued (five times a year) the paying teller must prepare a report to show the amount of each kind of currency held in the bank's vault. This is submitted as a part of the report to the Comptroller of the Currency.

### *Department Proof to General Bookkeeper*

The daily proof of the paying teller is sent at the close of each day's business to the general bookkeeper.

Credits in the paying teller's proof are credits (1) to those departments of the bank which have received cash during the day and have delivered it with inter-department total slips to the paying teller and (2) to bank correspondents which

have shipped currency inward. Separate columns are provided upon the right side of the department proof for crediting such departments as remit cash and customers that forward currency by registered mail or express. These amounts are entered upon the department proof by the settlement clerk after the cash has been verified by one of the money counters.

The debits on the paying teller's proof are of three different types:

1. Checks and coupons.
   a. Home debits.
   b. Clearing house checks.
   c. Out-of-town checks.
   d. Messengers' checks.
   e. Matured coupons.

2. Debit tickets.
   a. To correspondents' accounts, arising from coin, currency, and gold bar shipments or transfer of funds orders, and to include postage, insurance charges and any shortages in receipts of currency.

3. Cash.
   a. Actual cash held in bank's vault and charged to the paying teller.
   b. Cash items—items held as cash waiting disposition, such as checks and matured coupons held on books received too late to charge to the appropriate department, and expense slips previously cashed and waiting to be charged to the general ledger expense account.

# APPENDICES

## APPENDIX I

### Digest of Court Decisions Showing Liability of Bank to Drawer for Certain Irregularities in Certified, Altered, Forged, Postdated and Stopped Checks.

On account of the conflicts in decisions of various courts in causes of action concernng liability in the cases above enumerated, a few digests of decisions are printed below. These are taken from the Banking Law Journal Digest.

*Certified Checks*

Certification is equivalent to acceptance. Merchants' Bank v. State Bank, 10 Wall (U. S.) 604. 26 B. L. J. 181.

Where a bank certifies a check for its depositor and the latter delivers the check to his creditor, the delivery of the check is in legal effect a payment by the depositor to creditor of so much money. The bank becomes bound to pay the

holder of the check and cannot thereafter withhold payment and interplead the depositor. Herrmann Furniture and Plumbers' Cabinet Works v. German Exchange Bank, 87 N. Y. Supp. 462, 21 B. L. J. 392.

Certification at the instance of the holder releases the drawer and indorsers. Merchants' Bank v. State Bank, 10 Wall (U. S.) 604. 27 B. L. J. 72.

Where a holder of a check has it certified the drawer is thereby released from liability. First Nat. Bank v. Leach, 52 N. Y. 350. 26 B. L. J. 182; 27 B. L. J. 72.

The certification of a check at the request of the holder operates to discharge the drawer. After a bank has so certified a check it cannot avoid liability to the holder by showing that the check was obtained by false pretenses. Times Square Automobile Co. v. Rutherford Nat. Bank, 77 N. J. Law 649, 73 Atl. Rep. 479. 26 B. L. J. 678.

Certification of a check at the instance of the holder releases the indorsers, though the drawer has no funds on deposit and the bank is insolvent. First Nat. Bank v. Currie, 147 Mich. 72, 110 N. W. Rep. 499. 24 B. L. J. 191.

Where a drawer of a check has it certified before delivery, though he acts at the request of the payee, the drawer remains liable on the check. Randolph

Nat. Bank v. Hornblower, 160 Mass. 401. 26 B. L. J. 183.

Where a bank certifies a check at the instance of the drawee, the drawer is not thereby released from liability. Cullinan v. Union Surety Co., 79 N. Y. App. Div. 409. 20 B. L. J. 177.

*Stopping Payment of Certified Check*

Payment of a certified check cannot be stopped. Herrmann Furniture Works v. German Exchange Bank, 87 N. Y. Supp. 462. 21 B. L. J. 392; 22 B. L. J. 411.

The certification of a check by the drawee bank terminates the drawer's right to stop payment. National Commercial Bank v. Miller, 77 Ala. 168. 32 B. L. J. 707.

A drawer cannot stop payment of a certified check. This decision intimates that where a check is certified at the holder's request before delivery, payment may be stopped in a proper case. Times Square Automobile Co. v. Rutherford National Bank, 77 N. J. Law 649, 73 Atl. Rep. 479. 33 B. L. J. 765.

The fact that the drawer discovers that the payee is insolvent does not authorize the drawer to stop payment, after the check has been certified, in order to apply the amount to a debt owing to the drawer from the payee. Carnegie Trust Com-

pany v. First National Bank, 213 N. Y. 301, 107 N. E. 693. 33 B. L. J. 471.

*Altered Checks*

Where a bank pays a raised check it is liable to the depositor for the excess paid. Clark v. National Shoe and Leather Bank, 32 N. Y. App. Div. 316. 28 B. L. J. 171.

Bank paying raised check is entitled to recover the money from the innocent holder to whom the money was paid. Redington v. Woods, 45 Cal. 406; Oppenheim v. West Side Bank, 22 Misc. Rep. (N. Y.) 722. 25 B. L. J. 280.

A check on the A Bank was raised from $8 to $1,800 and indorsed to the B Bank for collection. The B Bank endorsed it for collection and turned the proceeds over to the party from whom it received it. Held that the B Bank was not liable to the collecting bank. National Park Bank v. Seaboard Bank, 114 N. Y. 28, but the A Bank could recover from the B Bank, National Park Bank v. Eldred Bank, 90 Hun (N. Y.) 285. 25 B. L. J. 279.

Where a bank pays a check which has been fraudulently raised it cannot charge the amount of the check aganst the drawer's account. First National Bank v. Ketchum, Okla., 172 Pac. Rep. 81. 35 B. L. J. 399.

In some cases where a raised check is paid, the bank is allowed to charge the original amount of the check against the drawer's account. Clark v. National Shoe and Leather Bank, 32 N. Y. App. Div. 316; In re Beer, 124 N. Y. Supp. 423. 28 B. L. J. 171; 31 B. L. J. 327.

*Forged Checks*

A bank which pays a check upon a forgery of its depositor's signature cannot charge the amount against the account of the depositor. Maurmair v. National Bank of Commerce, Okla., 165 Pac. Rep. 413. 34 B. L. J. 627.

A bank with which a person has a deposit assumes responsibility for the erroneous payment of any check not drawn or authorized by the depositor. Bank of Brunswick v. Thompson, N. Car., 93 S. E. Rep. 849. 34 B. L. J. 879.

A bank which pays a check on which the depositor's signature is forged cannot charge the amount against his account. Harter v. Mechanics' National Bank, 63 N. J. L. 578, 44 Atl. Rep. 715; Hardy v. Chesapeake Bank, 51 Md. 562; Georgia Railroad and Banking Co. v. Love & Goodwill Society, 85 Ga. 293, 11 S. E. Rep. 616. 31 B. L. J. 545.

The mere possession of a depositor of a rubber stamp, which will make a facsimile of his signa-

ture, will not absolve the bank from liability for the amount paid on checks, forged by one who unlawfully obtained possession of the stamp and made use of it in forging the depositor's signature. Robb v. Pennsylvania Co., 186 Pa. St. 456, 40 Atl. Rep. 969. 14 B. L. J. 275.

A bank which pays a check bearing a forged signature, is liable to the depositor though the latter fails to notify the bank of the fact that several bank checks were missing from his check book. Leff v. Security Bank, 157 N. Y. Supp. 92. 33 B. L. J. 204.

A bank which paid out money on a check purporting to be signed by a depositor, but the signature on which was in fact forged by his clerk without authority, was held not exempt from liability to the depositor, by proof that the forgery was committed on a blank form taken from the depositor's check-book which was left lying about his office during the day. Mackintosh v. Eliot National Bank, 123 Mass. 393. 1 B. L. J. 330; 31 B. L. J. 547.

Where a bank, without consideration, received a sum of money from A, to be paid out on the check of B, and the money is paid out on a check bearing a forgery of B's signature, the bank is not liable to A. The usual rule did not apply here for the reason that the ordinary relation of banker

and depositor did not exist. People's National Bank v. Wheeler, 21 Okla. 387, 96 Pac. Rep. 619. 25 B. L. J. 758; 31 B. L. J. 548.

A drawee bank is bound to know the signature of its depositor. If it pays a check bearing a forgery of a depositor's signature it is not permitted to recover the money from one who received it in good faith.

*Postdated Checks*

When a check is issued postdated, it contains all the elements of a contract, but payment upon it can only be demanded upon the day of its date, or some day succeeding that time. Frazier v. Trow, etc., Co., 24 Hun (N. Y.) 281. 21 B. L. J. 153.

A postdated check should not be paid by the bank on which it is drawn until the time of its date arrives, nor should funds be set aside for its payment. If by reason of such payment, or setting aside of funds, other checks are dishonored, the bank is subject to an action for damages. Smith v. Maddox-Rucker Banking Co., 8 Ga. App. 288. 68 S. E. Rep. 1092. 27 B. L. J. 1057.

*Stop-Payment Checks*

A bank is liable for a failure through oversight to execute an order to stop payment, though a clause in the pass book provides that the bank

shall not be liable in such a case. Elder v. Franklin National Bank, 25 Misc. Rep. (N. Y.) 716, 55 N. Y. Supp. 576. 18 B. L. J. 386; 29 B. L. J. 180.

When a drawer of a check notifies the bank not to pay it, but notwithstanding such notice, the bank makes payment, and it does not appear that the check had been negotiated by the payee, and was paid to an indorsee for value without notice, such payment by the bank, after countermand, is unauthorized, and it will be liable for the money to the drawer. Pease & Dwyer Co. v. State National Bank, 114 Tenn. 693, 88 S. W. 172. 22 B. L. J. 862.

A bank which pays a stopped check by mistake has no right of recovery against the payee. National Bank of New Jersey v. Berrall, 70 N. J. Law 757, 58 Atl. Rep. 189. 21 B. L. J. 536.

Where a check endorsed in blank was lost and was accepted by a merchant from a stranger in payment for goods and afterwards paid by the drawee bank, it was held that the merchant being a holder in due course, the bank was not liable to the drawer, even though payment has been stopped. Unaka National Bank v. Butler, 113 Tenn. 574, 83 S. W. Rep. 655. 22 B. L. J. 692.

Notice to stop payment on a check, even though not a notice binding on the bank is sufficient to place a bank on inquiry as to the equities against

the check in the hands of the holder, and the bank should not honor the check without making such inquiries as ordinary prudence would dictate. Public Grain & Stock Exchange v. Kune, 20 Ill. App. 137. 21 B. L. J. 135.

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## APPENDIX II

### Purposes of and Principles Underlying Subsidiary or Fractional Coins

Fractional silver coins and minor coins (nickels and coppers)—also known as token money—have characteristics peculiar to themselves. Unlike standard money they are limited in their legal tender qualities, redeemability, and intrinsic value. These characteristics are outlined below:

1. Issued in small denominations. Subsidiary money is primarily a tool for "making change".

2. Made of baser metal than the standard coin —of silver, nickel and copper. This is necessary because a coin of small denomination if made of gold would be too small for convenience in handling.

3. Shortness in weight. Subsidiary coins do not have the intrinsic value called for by their nominal value. They are worth more as coins or

purchasing power than as metal or bullion. The purpose of this provision is to prevent subsidiary coins from being melted, thus insuring their permanence in circulation. It also prevents them from being hoarded or exported because they are worth more as coin than as metal. Fractional silver coins suffer a reduction in weight by about 6 per cent. of the bullion value of the silver dollar. To illustrate, a silver dollar contains 371.25 grains of pure silver. Subsidiary coins contain only 345.6 grains of pure silver for two halves, four quarters, or ten dimes.

4. Coinage on Government account only. It is evident that if coins are issued at a nominal value, which is about the cost of the metal contained in them, the issuer—the Government—makes a profit or seigniorage. This profit inures to the benefit of the Government and not to a private person. This is necessary because it is the duty of the Government to redeem these coins under certain conditions.

5. Limit in amount coined. Subsidiary coins are minted to the amount which experience shows is necessary for purposes of trade. The purpose of this restriction is to insure subsidiary coins from falling below par. If subsidiary coins were minted without limit, they would soon assume the same coin value as metal.

6. Limited legal tender. The purpose of this provision is to prevent a debtor from making large payments in overvalued subsidiary coins to a creditor. It is also intended to prevent subsidiary coins from displacing standard money and becoming itself a standard money. Fractional silver coins are legal tender up to $10; minor coins are legal tender up to 25 cents.

7. Redeemability. It is necessary for the Government to redeem subsidiary coins in order to keep them on a par with standard money, and thus protect types of business which derive their income in large numbers of small coins, such as the street railway and telephone companies.

## APPENDIX III

### Portraits of Various Kinds of United States Paper Money

On the following page is shown a chart of the engraved portraits on various kinds of United States paper money, by denominations. The dashes indicate that such denominations are not issued. The parentheses indicate that these denominations have several series outstanding with different engravings. The engravings given are the most usual ones.

| Denominations | Silver Certificate | Gold Certificate | United States Note | Federal Reserve Note | Federal Reserve Bank Note | National Bank Note |
|---|---|---|---|---|---|---|
| $1 | Lincoln Grant | — | Washington | — | Washington | — |
| 2 | Washington | — | Jefferson | — | Jefferson | — |
| 5 | Indian Chief | — | Jackson | Lincoln | Lincoln | Harrison (Garfield) |
| 10 | T. A. Hendricks | Michael Hillegas | Lewis and Clark | Jackson | Jackson | McKinley |
| 20 | Daniel Manning | Washington | Hamilton | Cleveland | Cleveland | Hugh McCulloch |
| 50 | Edward Everett | Grant | Franklin (Clay) | Grant | Grant | John Sherman |
| 100 | Monroe | Benton | Lincoln | Franklin | Franklin | John Jay Knox |
| 500 | Sumner | Lincoln | J. K. Mansfield (J. Q. Adams) | John Marshall | John Marshall | — |
| 1000 | Marcy | Hamilton | DeWitt Clinton | Hamilton | Hamilton | — |
| 5000 | — | Madison | Madison | Madison | — | — |
| 10,000 | — | Jackson | Jackson | Salmon P. Chase | — | — |

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